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**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA**

PEOPLE OF THE STATE OF CALIFORNIA
ex rel. Xavier Becerra, Attorney General of
California,

Plaintiff,

v.

UNITED STATES DEPARTMENT OF
EDUCATION and BETSY DEVOS, in her
official capacity as Secretary of Education

Defendants.

No. 3:17-cv-7106-SK

**DEFENDANTS' ANSWER TO
PLAINTIFF'S FIRST AMENDED
COMPLAINT**

1 Defendants United States Department of Education (the “Department”) and Elisabeth
2 DeVos, in her official capacity as Secretary of Education (“Secretary”), hereby answer Plaintiff’s
3 First Amended Complaint for Declaratory and Injunctive Relief, ECF No. 37 (“FAC”).

4 Defendants note that this Court’s review in this action is limited solely to the administrative
5 record, rather than the allegations of the parties in their respective pleadings. Defendants answer
6 the number paragraphs of the FAC as follows:

7 1. This paragraph consists of legal conclusions to which no response is required. To
8 the extent that a response is deemed required, denied.

9 2. Defendants admit that in 2015 and 2016, the Department found that Corinthian
10 Colleges, Inc. (“Corinthian”) had systemically misrepresented the rates at which its graduates
11 were employed (*i.e.*, its “job placement rates”) across a number of its campuses nationwide.
12 The Department published on its website lists of Corinthian campuses and academic programs
13 covered by these findings, as well as the range of dates to which the findings apply at each
14 program (“findings cohorts”). The Department also created “attestation forms,” which allowed
15 borrowers who attended Corinthian programs covered by the findings cohorts to apply for
16 student loan debt relief under the Department’s borrower defense regulation by providing certain
17 information about the program they attended and their reliance on the program’s representations
18 regarding job placement rates. Defendants lack knowledge or information sufficient to form a
19 belief about the truth of the allegations that the “some 80,000 student borrowers nationwide—
20 including more than 38,000 in California” were covered by the Department’s findings.
21 Defendants otherwise deny the allegations in this paragraph.

22 3. As to the first sentence, Defendants admit that the Department created “attestation
23 forms,” which allowed borrowers who attended Corinthian programs covered by the job
24 placement rate findings to apply for a borrower defense discharge by providing certain
25 information about the program they attended and their reliance on the program’s representations
26 regarding job placement rates; otherwise denied. As to the second sentence, Defendants admit
27 the Department encouraged Corinthian borrowers covered by the Department’s job placement
28 rate findings to apply for student loan debt relief under the Department’s borrower defense

1 regulation. Further, Defendants are aware that the California Attorney General's Office, some
2 institutions of higher education, and other entities engaged in outreach efforts but lack
3 knowledge or information sufficient to form a belief about the truth of the allegations concerning
4 the extent of those outreach efforts. The third sentence is admitted.

5 4. Insofar as the terms "abruptly halted" and "approving" are undefined and vague in
6 this context, Defendants lack knowledge or information sufficient to form a belief about the truth
7 of the allegations in the first sentence. With respect to the second sentence, admit that Plaintiff
8 filed its initial complaint in this case on December 14, 2017, and that on December 20, 2017, the
9 Department announced an "improved discharge process for borrower defense to repayment []
10 claims." *See* U.S. Department of Education, Improved Borrower Defense Discharge Process
11 Press Release (December 20, 2017) ("December Press Release").¹ Otherwise, denied.

12 5. With respect to the first sentence, admit that on December 20, 2017, the
13 Department announced an "improved discharge process for borrower defense to repayment []
14 claims, *see* December Press Release, pursuant to which the Department would afford borrower
15 defense relief based on the harm Corinthian borrowers actually incurred as a result of their
16 school's misconduct, measured by comparing the average earnings of graduates of Corinthian
17 programs with the average earnings of completers of comparable programs that the Department
18 determined met its "gainful employment" requirement. The second sentence consists of legal
19 conclusions to which no response is required. To the extent that a response is deemed required,
20 denied. With respect to the third sentence, admit that the new discharge process applies to
21 Corinthian borrowers who submitted claims prior to December 20, 2017.

22 6. The first sentence consists of legal conclusions to which no response is required.
23 As to the second and third sentences, admit that tens of thousands of Corinthian students who
24 submitted borrower defense applications have been waiting more than 18 months for
25 adjudications of their applications, and that the backlog of borrower defense claims has grown
26 since the FAC was filed.

27
28 ¹ *See* <https://www.ed.gov/news/press-releases/improved-borrower-defense-discharge-process-will-aid-defrauded-borrowers-protect-taxpayers>.

7. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

8. Admit that on May 25, 2018, this Court entered an Order in *Manriquez v. DeVos*, 3:17-cv-7210, granting in part and denying in part the plaintiffs' motion for a preliminary injunction "to prevent the Secretary from using" the discharge process announced in the December Press Release. Defendants respectfully refer the Court to that Order for a full and accurate statement of its contents. With respect to the second sentence, Defendants admit that, at the time Plaintiff filed its FAC on July 27, 2018, the Department was not issuing final decisions on borrower defense applications from students covered by the *Manriquez* preliminary injunction, pending the Ninth Circuit's decision on the Department's appeal of the Preliminary Injunction Order. Otherwise, denied.

9. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, deny that the Department established or implemented a "rule" requiring it to provide "full debt relief" to Corinthian borrowers or that the Department violated the APA.

10. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

11. This paragraph relates to claims that have been dismissed and thus no response is required

12. This paragraph consists of legal conclusions to which no response is required.

13. This paragraph consists of legal conclusions to which no response is required.

14. This paragraph consists of legal conclusions to which no response is required.

15. The first sentence consists of legal conclusions to which no response is required. Defendants admit the second and third sentences.

16. This paragraph consists of Plaintiff's characterization of this lawsuit and legal conclusions to which no response is required.

17. Admit.

18. Admit.

1 19. This paragraph consists of Plaintiff's characterization of the Higher Education Act
2 ("HEA") and legal conclusions to which no response is required.

3 20. The first three sentences of this paragraph consist of legal conclusions to which
4 no response is required. The fourth sentence is admitted.

5 21. The first sentence is admitted. Insofar as "the vast majority" is undefined and
6 vague in this context, Defendants lack knowledge or information sufficient to form a belief about
7 the truth of the allegations in the second sentence. The third and fourth sentences are admitted;
8 Defendants respectfully refer the Court to the document cited in footnotes 1 and 2 of the FAC for
9 a full and accurate statement of its contents.

10 22. Insofar as "typically," "many," and "in many instances" are vague and undefined
11 in this context, Defendants lack knowledge or information sufficient to form a belief about the
12 truth of the allegations in this paragraph.

13 23. This paragraph consists of legal conclusions to which no response is required.

14 24. This paragraph consists of legal conclusions to which no response is required.

15 25. This paragraph consists of legal conclusions to which no response is required.

16 26. This paragraph consists of legal conclusions to which no response is required.

17 27. This paragraph consists of legal conclusions to which no response is required.

18 28. The first sentence is admitted. The second sentence consists of legal conclusions
19 to which no response is required.

20 29. This paragraph consists of legal conclusions to which no response is required.

21 30. Defendants lack knowledge or information sufficient to form a belief about the
22 truth of the allegations in the first sentence. As to the second and third sentences, admit that
23 Corinthian once operated more than 100 campuses, including more than 30 in California, and
24 that it enrolled hundreds of thousands of students. As to the fourth sentence, Defendants admit
25 that Corinthian made representations to prospective students about the employment prospects
26 associated with a Corinthian degree.

27 31. Defendants lack knowledge or information sufficient to form a belief about the
28 truth of the allegations in this paragraph.

1 32. Admit that the California Attorney General filed an enforcement action against
2 Corinthian in October 2013, and that other states and federal agencies subsequently filed actions
3 against Corinthian. Defendants refer the Court to the cited documents for a full and accurate
4 statement of their contents.

5 33. Defendants admit that in November 2014, Corinthian agreed to sell 53 of its
6 campuses. Defendants otherwise lack knowledge or information sufficient to form a belief about
7 the truth of the remaining allegations in this paragraph.

8 34. As to the first sentence, Defendants admit that the Department issued a press
9 release on April 14, 2015, cited in footnote 4 of the FAC, in which the Department concluded
10 that it “has confirmed cases of misrepresentation of job placement rates to current and
11 prospective students in Corinthian's Heald College system. The Department found 947 misstated
12 placement rates and informed the company it is being fined about \$30 million.” Defendants
13 admit that the material quoted in the second sentence appears in the April 14, 2015 press release,
14 and respectfully refer the Court to that press release for a full and accurate statement of its
15 contents.

16 35. Admit.

17 36. Admit.

18 37. Admit that default judgment was entered against Corinthian on March 23, 2016.
19 Defendants respectfully refer the Court to the default judgment for a full and accurate statement
20 of its contents.

21 38. The first sentence consists of Plaintiff's characterization of a prior lawsuit to
22 which no response is required; to the extent that a response is deemed required, Defendants lack
23 knowledge or information sufficient to form a belief about the truth of the allegations in this
24 sentence. As to the second, third, fourth, and fifth sentences, admit that the California Superior
25 Court entered default judgment against Corinthian; Defendants respectfully refer to the Court to
26 the default judgment for a full and accurate statement of its contents.

27 39. This paragraph consists of legal conclusions to which no response is required.
28

1 40. Admit that at the time that Corinthian declared bankruptcy, the Department's
2 borrower defense regulation, 34 C.F.R. § 685.206(c), allowed student borrowers to "assert as a
3 defense to repayment . . . any act or omission of the school attended by the by the student that
4 would give rise to a cause of action against the school under applicable State law."

5 41. As to the first sentence, admit that the quoted material appears in the document
6 cited in footnote 5 of the FAC; Defendants respectfully refer the Court to the cited document for
7 a full and accurate statement of its contents. The second sentence consists of legal conclusions
8 to which no response is required.

9 42. Defendants admit that the quoted material appears in the Department "Fact Sheet"
10 cited in footnote 7 of the FAC. Defendants respectfully refer the Court to the cited document for
11 a full and accurate statement of its contents.

12 43. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, Defendants deny that the Department "formulated
14 and adopted" a "Corinthian Full-Relief Rule," as defined by Plaintiff, or determined that any
15 borrower was "entitle[d]" to "full relief" or any other relief before receiving an attestation form
16 from that borrower and adjudicating his or her claim.

17 44. This paragraph consists of legal conclusions to which no response is required. To
18 the extent that a response is deemed required, Defendants deny that the Department established a
19 "Corinthian Full-Relief Rule," as defined by Plaintiff.

20 45. This paragraph consists of legal conclusions to which no response is required.

21 46. This paragraph consists of legal conclusions to which no response is required.

22 47. This paragraph consists of legal conclusions to which no response is required. To
23 the extent that a response is deemed required, denied.

24 48. Defendants admit that the Department announced publicly its findings that
25 Corinthian systematically misrepresented its job placement rates across a number of its campuses
26 nationwide. Defendants deny that the Department adopted a "Corinthian Full-Relief Rule," as
27 defined by Plaintiff.

1 49. Defendants admit that on June 8, 2015, the Department issued a press release
2 announcing its findings regarding Corinthian's misrepresented job placement rates. Defendants
3 respectfully refer the Court to the cited press release for a full and accurate statement of its
4 contents, and deny that the Department adopted a "Corinthian Full-Relief Rule," as defined by
5 Plaintiff.

6 50. Defendants admit that on November 17, 2015, the Department issued a press
7 release announcing additional findings regarding Corinthian's misrepresented job placement
8 rates. Defendants respectfully refer the Court to the cited press release for a full and accurate
9 statement of its contents, and deny that the Department adopted a "Corinthian Full-Relief Rule,"
10 as defined by Plaintiff.

11 51. Defendants admit that on March 25, 2016, the Department issued a press release
12 announcing additional findings regarding Corinthian's misrepresented job placement rates.
13 Defendants respectfully refer the Court to the cited press release for a full and accurate statement
14 of its contents, and deny that the Department adopted a "Corinthian Full-Relief Rule," as defined
15 by Plaintiff.

16 52. The first sentence of this paragraph consists of legal conclusions to which no
17 response is required. To the extent that a response is deemed required, Defendants deny that the
18 Department established a "Corinthian Full-Relief Rule," as defined by Plaintiff. Defendants lack
19 knowledge or information sufficient to form a belief about the truth of the allegations in the
20 second sentence.

21 53. This paragraph consists of legal conclusions to which no response is required. To
22 the extent that a response is deemed required, Defendants admit that the Department created
23 "attestation forms" allowing affected borrowers in Corinthian programs covered by the
24 Department's job placement rate findings to apply for a borrower defense loan discharge, and
25 respectfully refer the Court to the cited attestation forms for a full and accurate statement of their
26 contents. Defendants deny that the Department established or "implement[ed]" a "Corinthian
27 Full-Relief Rule," as defined by Plaintiff.

28 54. Admit.

1 55. Defendants admit the first sentence of this paragraph. The second sentence
2 contains a legal conclusion to which no response is required. To the extent that a response is
3 deemed required, admit that the quoted material appears in the cited “request” to the Office of
4 Management and Budget and respectfully refer the Court to that document for a full and accurate
5 statement of its contents.

6 56. This paragraph consists of legal conclusions and Plaintiff’s characterization of the
7 Special Master report cited in footnote 13 of the FAC to which no response is required.
8 Defendants respectfully refer the Court to the cited document for a full and accurate statement of
9 its contents.

10 57. This paragraph consists of legal conclusions to which no response is required. To
11 the extent that a response is deemed required, Defendants deny that the Department established a
12 “Corinthian Full-Relief Rule,” as defined by Plaintiff.

13 58. Deny.

14 59. Defendants admit that the quoted material appears in the Fact Sheet cited in
15 footnote 14 of the FAC, and respectfully refer the Court to the cited document for a full and
16 accurate statement of its contents. Defendants deny this paragraph to the extent it purports to
17 allege an “example” of the “existence,” “specifics,” or “operation” of the “Corinthian Full-Relief
18 Rule,” as defined by Plaintiff. *See* FAC ¶ 58.

19 60. Defendants admit that the quoted material appears in the Special Master Report
20 cited in footnotes 15 and 16 of the FAC, and respectfully refer the Court to the cited document
21 for a full and accurate statement of its contents.

22 61. Defendants admit that the quoted material appears in the Special Master Report
23 cited in footnote 17 of the FAC, and respectfully refer the Court to the cited document for a full
24 and accurate statement of its contents.

25 62. Defendants admit that the quoted material appears in the Special Master Report
26 cited in footnote 17 of the FAC, and respectfully refer the Court to the cited document for a full
27 and accurate statement of its contents.

63. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants admit that the quoted material appears in the Office of Inspector General report cited in footnote 18 of the FAC and respectfully refer the Court to the cited document for a full and accurate statement of its contents.

64. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants admit that the quoted material appears in the Department blog post cited in footnote 19 of the FAC, and respectfully refer the Court to the cited document for a full and accurate statement of its contents.

65. Defendants admit that the Department sent decision letters to some approved Corinthian borrower defense claimants stating that the claimant's claim had met the requirements of a successful borrower defense claim, the claimant's federal student Direct Loans received for the programs of study related to those acts or omissions would be discharged, and that the claimant's servicer would be notified. For other borrowers, servicers sent decision letters directly. To the extent that a further response is deemed required, Defendants refer the Court to the cited document for a full and accurate statement of its contents.

66. Defendants admit that loan servicers sent notices to borrowers whose loans had been discharged that contain the language quoted in this paragraph, and refer the Court to the cited document for a full and accurate statement of its contents.

67. Defendants admit that the quoted material appears at the URL cited in footnote 22 of the FAC, and respectfully refer the Court to the cited website for a full and accurate statement of its contents.

68. As to the first sentence, deny. As to the second sentence, admit that between June 2015 and January 20, 2017, the Department approved 28,000 borrower-defense claims, discharged the full amount of each of the relevant loans, and refunded any amounts paid.

69. Defendants admit that the Department has encouraged borrowers covered by the Department's Corinthian job placement rate findings to apply for student loan debt relief pursuant to the Department's borrower defense regulation, and lack knowledge or information sufficient to form a belief as to the truth of the allegations about the extent of the "outreach

1 efforts” of “the California Attorney General’s Office, California’s public colleges and
2 universities, and others.” Defendants deny that the Department established a “Corinthian Full-
3 Relief Rule,” as defined by Plaintiff.

4 70. Defendants admit the Department possesses some of the information identified in
5 the second sentence and that in 2016, pursuant to relevant legal protections, Defendants shared
6 this data with the California Attorney General’s office. Further admit that the Department had
7 agreements in place to share such data with 46 other states and the District of Columbia and did
8 share such data with some, if not all, of those states. Defendants lack knowledge or information
9 sufficient to form a belief about the truth of the allegations that “outreach efforts” of the
10 California Attorney General’s Office, California’s public colleges and universities, and others
11 were aided by the Department’s possessing this information, or that the states spent “significant”
12 time and resources “paring down” this data. Defendants admit the Department received from
13 some of the states that it had agreements with, as discussed in the first sentence of this paragraph,
14 the identities of specific students who attended programs covered by the Corinthian job
15 placement rate findings. Otherwise, denied.

16 71. As to the first sentence, Defendants admit that the Department has encouraged
17 borrowers covered by the Department’s Corinthian job placement rate findings to apply for
18 student loan debt relief pursuant to the Department’s borrower defense regulation, and deny that
19 the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. As to the
20 second and third sentences, admit.

21 72. Insofar as it is unclear what document Plaintiff is quoting from in this paragraph,
22 Defendants lack knowledge or information sufficient to form a belief about the truth of the
23 allegations in this paragraph.

24 73. Insofar as it is unclear what document Plaintiff is quoting from in this paragraph,
25 Defendants lack knowledge or information sufficient to form a belief about the truth of the
26 allegations in this paragraph.

1 74. Defendants admit that the quoted materials appears in the press release cited in
2 footnote 23 of the FAC, and respectfully refer the Court to that document for a full and accurate
3 statement of its contents.

4 75. Defendants lack knowledge or information sufficient to form a belief about the
5 truth of the allegations in the first and third sentences. As to the second sentence, Defendants are
6 aware that a group of 47 states, including California, retained a settlement administrator, but
7 otherwise lack knowledge or information sufficient to form a belief about the truth of the
8 remaining allegations.

9 76. Defendants lack knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph.

11 77. Insofar as the term “eligible for relief” is vague in this context, Defendants lack
12 knowledge or information sufficient to form a belief about the truth of the allegations in this
13 paragraph.

14 78. The paragraph consists of legal conclusions to which no response is required. To
15 the extent that a response is deemed required, denied.

16 79. As to the first sentence, Defendants admit that as of late 2015, the Department
17 was considering borrower-defense claims from Corinthian students, and that it approved many
18 borrower defense applications from Corinthian students. As to the second sentence, admit that
19 the Special Master issued a report on December 3, 2015 which noted that “1,312 borrower
20 claims . . . qualified for BD relief” and that the Special Master had recommended that the Under
21 Secretary of Education “authorize full relief (restitution of all amounts paid) for such loans.”
22 Defendants deny the remaining allegations in the second sentence and deny that the Department
23 established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. With respect to the third and
24 fourth sentences, Defendants admit that the Under Secretary authorized the relief described in the
25 Special Master Report cited in footnote 24 of the FAC and that California residents submitted
26 1,062 of the approved claims. Defendants admit the allegations in the fifth sentence. As to the
27 sixth sentence, Defendants admit that the Special Master recommended approval of 3,787
28 borrower-defense claims brought by Corinthian students, and that in each of these cases the

1 student had all of his or her relevant loans discharged and was refunded any amounts paid to
2 attend the Corinthian program, but deny that the Department established a “Corinthian Full-
3 Relief Rule,” as defined by Plaintiff. Defendants otherwise deny the allegations in this
4 paragraph.

5 80. Admit.

6 81. Defendants admit that the FSA Enforcement Office issued a report on borrower
7 defense on October 28, 2016. Defendants respectfully refer the Court to that report for a full and
8 accurate statement of its contents. Defendants deny that the Department established a
9 “Corinthian Full-Relief Rule,” as defined by Plaintiff, and deny the allegation that borrower
10 defense claims were approved “under the Corinthian Full-Relief Rule.”

11 82. Defendants admit that the Department made an announcement regarding its
12 processing of borrower defense claims on January 13, 2017, and respectfully refer the Court to
13 that announcement for a full and accurate statement of its contents. Further admit that as of
14 January 13, 2017, the Department had approved approximately 28,000 borrower defense claims
15 filed by Corinthian students based on Corinthian’s misleading job placement rates, and that, for
16 these successful claimants, the Department discharged the relevant student loan debts and
17 refunded any amounts paid to attend the Corinthian program.

18 83. Defendants admit that prior to January 20, 2017, the Department discharged
19 relevant student loan debts of, and refunded amounts paid to attend Corinthian programs to,
20 Corinthian students who the Department could verify were covered by its findings regarding
21 Corinthian’s misleading job placement rates. Defendants deny that the Department established a
22 “Corinthian Full-Relief Rule,” as defined by Plaintiff, and deny the allegation that the
23 Department’s borrower defense relief determinations were made “[i]n accordance with the
24 Corinthian Full-Relief Rule.”

25 84. Admit.

26 85. Insofar as the terms “abruptly halted” and “approval” are undefined and vague in
27 this context, Defendants lack knowledge or information sufficient to form a belief about the truth
28

of the allegations in this sentence; otherwise admit that the Department did not finally approve any borrower defense claims between January 20, 2017 and December 20, 2017.

86. Admit.

87. Admit.

88. Defendants admit that the quoted material appears in the document cited in footnote 31 and respectfully refer the Court to that document for a full and accurate statement of its contents.

89. Admit.

90. Defendants admit that the Department has data concerning the number of students who attended programs in the findings cohorts. Defendants deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff, and deny any contention that any borrower is “eligible for discharge” under such a “Rule.”

91. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

92. Defendants admit that the Department received a letter, dated May 17, 2017, from five Senators and another letter, dated June 5, 2017 from certain state attorneys general. Defendants respectfully refer the Court to these letters for full and accurate statements of their contents.

93. Defendants admit that the Department responded to the letters cited in paragraph 92 of the FAC, and respectfully refer the Court to those responses for full and accurate statements of their contents.

94. Defendants admit that the quoted material appears in the Senate report cited in footnotes 32 and 33 of the FAC, and respectfully refer the Court to that document for a full and accurate statement of its contents.

95. Insofar as the terms “broadly evinced support” and “hostility” are vague in this context, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in the first sentence. As to the remaining allegations in this paragraph,

Defendants admit that the Department issued a press release on June 14, 2017 announcing a

1 “regulatory reset to protect students, taxpayers, [and] higher ed institutions,” and respectfully
2 refer to the Court to that press release for a full and accurate statement of its contents.

3 96. Defendants admit that the Secretary spoke at the “Mackinac Republican
4 Leadership Conference” on September 22, 2017. Defendants respectfully refer the Court to that
5 speech for a full and accurate statement of its contents.

6 97. Defendants admit that the Department published a notice of proposed rulemaking
7 and an interim final rule in the Federal Register on October 24, 2017, and respectfully refer the
8 Court to those documents, cited in footnotes 36 and 37 of the FAC, for a full and accurate
9 statement of their contents.

10 98. As to the first sentence, Defendants admit that the quoted material appears in the
11 cited Office of Inspector General report; Defendants respectfully refer the Court to that
12 document for a full and accurate statement of its contents. As to the second sentence, deny that
13 the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

14 99. Defendants admit that California filed this action on December 14, 2017;
15 otherwise deny.

16 100. Defendants admit that Plaintiff filed its original complaint on December 14, 2017
17 and that on December 20, 2017, the Department issued the press release cited in footnote 38 of
18 the FAC. Defendants respectfully refer the Court to the cited press release for a full and accurate
19 statement of its contents. Defendants deny that the Department established a “Corinthian Full-
20 Relief Rule,” as defined by Plaintiff, and deny the allegation that the December 20, 2017 press
21 release “confirmed [the Department’s] abandonment of the Corinthian Full-Relief Rule and
22 announced its replacement.”

23 101. Defendants admit that the Department issued the press release cited in footnote 38
24 of the FAC, and respectfully refer the Court to that document for a full and accurate statement of
25 its contents.

26 102. As to the first sentence, Defendants admit that under the relief methodology
27 announced in the Department’s December 20, 2017 press release, successful borrower defense
28 claimants who attended Corinthian programs at which the average earnings is 90-100% of the

1 average earnings at comparable programs that earned a passing score under the Department's
 2 gainful employment regulations will receive a 10% discharge of outstanding loans related to
 3 their borrower defense claim. Defendants deny that the Department established a "Corinthian
 4 Full-Relief Rule," as defined by Plaintiff, or that any student "would have received" any measure
 5 of relief under such a "Rule." Defendants lack knowledge or information sufficient to form a
 6 belief about the truth of the allegations in the second sentence.

7 103. This paragraph consists of legal conclusions to which no response is required.

8 104. Defendants admit that the Department issued the cited memorandum and press
 9 release and respectfully refer the Court to those documents for a full and accurate statement of
 10 their contents.

11 105. Defendants admit that in the December Press Release, the Department announced
 12 that it had "approved for discharge 12,900 pending claims submitted by former [Corinthian]
 13 students" under the process announced in that press release, and that "8,600 pending claims have
 14 been denied."

15 106. This paragraph consists of legal conclusions to which no response is required. To
 16 the extent that a response is deemed required, deny that the Department's application of the
 17 borrower defense relief methodology announced in the December 20, 2017 press release to
 18 borrowers with pending claims is retroactive. Further deny that the Department established a
 19 "Corinthian Full-Relief Rule," as defined by Plaintiff.

20 107. Defendants admit that this Court issued an Order on May 25, 2018 in *Manriquez*
 21 *v. DeVos*, 3:17-cv-7210 (N.D. Cal.). Defendants respectfully refer the Court to the cited Order
 22 for a full and accurate statement of its contents.

23 108. As to the first sentence, Defendants admit that the Department did not issue any
 24 final decisions on borrower defense claims on December 14, 2017, the date Plaintiff filed its
 25 original complaint, or on July 28, 2018, the date Plaintiff filed its FAC; otherwise, deny. The
 26 second and sixth sentences consist of legal conclusions to which no response is required. To the
 27 extent that a response is deemed required, denied. The allegations in the third sentence are
 28 denied. The allegations in the fourth sentence are admitted. Regarding the fifth sentence,

1 Defendants deny that the “Partial-Relief Rule” was its “first and only step toward processing the
2 backlog” but admit that the methodology announced in the December Press Release was
3 enjoined by the Court.

4 109. Defendants deny that the Department has engaged in any unlawful conduct that
5 has harmed Corinthian borrowers.

6 110. Defendants lack knowledge or information sufficient to form a belief about the
7 truth of the allegations in this paragraph. To the extent that a response is deemed required, deny.

8 111. Defendants lack knowledge or information sufficient to form a belief about the
9 truth of the allegations in this paragraph. To the extent that a response is deemed required, deny
10 that Defendants caused any of the “indirect effects” described in this paragraph.

11 112. Defendants lack knowledge or information sufficient to form a belief about the
12 truth of the allegations in this paragraph. To the extent that a response is deemed required, deny.

13 113. Defendants lack knowledge or information sufficient to form a belief about truth
14 of the allegations in this paragraph.

15 114. Defendants lack knowledge or information sufficient to form a belief about the
16 truth of the allegations in this paragraph. To the extent a response is deemed required, deny that
17 the Department has “create[d] unnecessary disruption in the lives of students.”

18 115. This paragraph consists of legal conclusions to which no response is required.

19 116. Defendants lack knowledge or information sufficient to form a belief about the
20 truth of the allegations in the first sentence. To the extent that a response is deemed required,
21 deny. The second and third sentences consists of legal conclusions to which no response is
22 required.

23 117. This paragraph consists of legal conclusions to which no response is required. To
24 the extent that a response is deemed required, Defendants lack knowledge or information
25 sufficient to form a belief about whether the “further federal aid . . . would be available” to the
26 hypothetical “students” referenced in this paragraph “if full relief were granted.”

27 118. This paragraph consists of Plaintiff’s characterization of its First Amended
28 Complaint to which no response is required.

1 119. Defendants admit that interest accrues on the federal student loans of borrowers
2 with pending borrower defense claims and that, in the December Press Release, the Department
3 announced that it would apply a “credit to interest that accrues on loans starting one year after
4 the borrower defense application is filed.”

5 120. Defendants admit that the loans of borrowers who have not submitted a borrower
6 defense application, and who default on their federal student loans, are reported as defaulted to
7 credit reporting agencies. Defendants lack knowledge or information sufficient to form a belief
8 about whether any hypothetical borrower’s credit ratings are harmed by this practice. The
9 allegations regarding the Department “delay[ing]” or “withhold[ing]” the processing of claims
10 are legal conclusions to which no response is required. To the extent that a response is deemed
11 required, deny.

12 121. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, deny.

14 122. This paragraph consists of legal conclusions which no response is required. To
15 the extent that a response is deemed required, deny that the Department engaged in illegal
16 activity that harmed California borrowers or “California’s broader population.”

17 123. This paragraph consists of legal conclusions to which no response is required.

18 124. This paragraph consists of legal conclusions to which no response is required. To
19 the extent that a response is deemed required, Defendants lack knowledge or information
20 sufficient to form a belief about the truth of the allegations.

21 125. This paragraph consists of legal conclusions to which no response is required. To
22 the extent that a response is deemed required, Defendants lack knowledge or information
23 sufficient to form a belief about the truth of the allegations.

24 126. This paragraph consists of legal conclusions to which no response is required. To
25 the extent that a response is deemed required, deny.

26 127. Defendants lack knowledge or information sufficient to form a belief about the
27 truth of the allegations in the first and second sentences. Defendants deny the characterization of
28 the Department’s actions in the third sentence and lack knowledge or information sufficient to

1 otherwise form a belief about the truth of the allegations in the third sentence. Regarding the
2 fourth sentence, deny that the Department created a “Corinthian Full-Relief Rule,” as defined by
3 Plaintiff, and Plaintiff’s characterization of the effect such a “rule” would have.

4 128. Defendants lack knowledge or information sufficient to form a belief about the
5 truth of the allegations in this paragraph.

6 129. Defendants lack knowledge or information sufficient to form a belief about the
7 truth of the allegations in this paragraph.

8 130. Defendants lack knowledge or information sufficient to form a belief about the
9 truth of the allegations in this paragraph.

10 131. Defendants admit the first sentence. As to the second sentence, admit that the
11 federal government’s role in regulating higher education has changed over time.

12 132. Admit.

13 133. Defendants lack knowledge or information sufficient to form a belief about the
14 level of California’s interests alleged in the first and third sentences. The allegations in the
15 second sentence are admitted.

16 134. The first sentence consists of legal conclusions to which no response is required.
17 The allegations in the second sentence are admitted. Defendants lack knowledge or information
18 sufficient to form a belief about the truth of the allegations in the third sentence.

19 135. This paragraph consists of legal conclusions to which no response is required.

20 136. This paragraph contains legal conclusions to which no response is required. To
21 the extent a response is deemed required, Defendants lack knowledge or information sufficient to
22 form a belief about the truth of the allegations.

23 137. Defendants lack knowledge or information sufficient to form a belief about the
24 truth of the allegations in the first clause; they deny the allegations in the second clause.

25 138. This paragraph consists of legal conclusions to which no response is required. To
26 the extent a response is deemed required, deny.

27 139. Defendants deny that the Department has engaged in any unlawful conduct that
28 has harmed Corinthian borrowers.

1 140. This paragraph consists of legal conclusions to which no response is required.

2 141. This paragraph consists of legal conclusions to which no response is required. To
3 the extent that a response is deemed required, deny.

4 142. This paragraph consists of legal conclusions to which no response is required.

5 143. Defendants lack knowledge or information sufficient to form a belief about the
6 truth of the allegations in this paragraph.

7 144. Defendants lack knowledge or information sufficient to form a belief about the
8 truth of the allegations in this paragraph.

9 145. Defendants lack knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph.

11 146. Defendants lack knowledge or information sufficient to form a belief about the
12 truth of the allegations in this paragraph.

13 147. Defendants lack knowledge or information sufficient to form a belief about the
14 truth of the allegations in this paragraph.

15 148. Defendants lack knowledge or information sufficient to form a belief about the
16 truth of the allegations in this paragraph.

17 149. This paragraph consists of legal conclusions to which no response is required. To
18 the extent that a response is deemed required, deny.

19 150. Defendants lack knowledge or information sufficient to form a belief about the
20 truth of the allegations in this paragraph.

21 151. Defendants lack knowledge or information sufficient to form a belief about the
22 truth of the allegations in this paragraph.

23 152. Defendants lack knowledge or information sufficient to form a belief about the
24 truth of the allegations in this paragraph.

25 153. Defendants lack knowledge or information sufficient to form a belief about the
26 truth of the allegations in this paragraph.

27 154. Defendants lack knowledge or information sufficient to form a belief about the
28 truth of the allegations in this paragraph.

1 155. Defendants lack knowledge or information sufficient to form a belief about the
2 truth of the allegations in this paragraph.

3 156. Defendants lack knowledge or information sufficient to form a belief about the
4 truth of the allegations in this paragraph.

5 157. Defendants lack knowledge or information sufficient to form a belief about the
6 truth of the allegations in this paragraph.

7 158. Defendants lack knowledge or information sufficient to form a belief about the
8 truth of the allegations in this paragraph.

9 159. Defendants lack knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph.

11 160. Defendants lack knowledge or information sufficient to form a belief about the
12 truth of the allegations in this paragraph.

13 161. This paragraph consists of legal conclusions to which no response is required.

14 162. As to the first sentence, Defendants admit that the Department requested that the
15 California Attorney General conduct outreach to borrowers covered by the Department's
16 Corinthian job placement rate findings, but deny that the Department established a "Corinthian
17 Full-Relief Rule," as defined by Plaintiff. Defendants otherwise lack knowledge or information
18 sufficient to form a belief about the truth of the allegations in this paragraph.

19 163. As to the third sentence, admit that the Department's partial discharge
20 methodology was enjoined in May 2018. Otherwise, the allegations in this paragraph are denied.

21 164. Defendants admit that tens of thousands of borrower defense claims are currently
22 pending, and that some claims have been pending for more than three years.

23 165. As to the first sentence, admit that the Department did not make any final
24 determinations on pending borrower defense claims on July 27, 2018, the date Plaintiff filed its
25 First Amended Complaint. As to the second sentence, deny.

26 166. Defendants lack knowledge or information sufficient to form a belief as to what
27 California "would not have" and "could have" done in the hypothetical scenarios described in
28 this paragraph.

1 167. This paragraph consists of legal conclusions to which no response is required.

2 168. This paragraph consists of legal conclusions to which no response is required. To
3 the extent a response is deemed required, denied.

4 169. Defendants deny the allegations in the first sentence of this paragraph. The
5 second and third sentences consists of legal conclusions to which no response is required.

6 170. Deny.

7 171. Defendants repeat and incorporate by reference their responses to all preceding
8 paragraphs.

9 172. This paragraph consists of legal conclusions to which no response is required.

10 173. This paragraph consists of legal conclusions to which no response is required. To
11 the extent that a response is deemed required, denied.

12 174. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, denied.

14 175. This paragraph consists of legal conclusions to which no response is required. To
15 the extent that a response is deemed required, admit that the Department has provided or
16 attempted to provide notice to students covered by its findings regarding Corinthian's misleading
17 job placement rates of their ability to seek loan relief under the Department's borrower defense
18 regulation. Otherwise, denied.

19 176. This paragraph consists of legal conclusions to which no response is required. To
20 the extent that a response is deemed required, admit that tens of thousands of borrowers have
21 submitted borrower defense claims, and deny that the Department established a "Corinthian Full-
22 Relief Rule," as defined by Plaintiff.

23 177. This paragraph consists of legal conclusions to which no response is required. To
24 the extent that a response is deemed required, admit that before January 20, 2017, the
25 Department discharged relevant student loan debts of, and refunded amounts paid to attend
26 Corinthian programs to, approximately 28,000 Corinthian students. Defendants deny that the
27 Department established a "Corinthian Full-Relief Rule," as defined by Plaintiff.

1 178. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, admit that in December 2017, the Department
3 announced a partial discharge methodology, pursuant to which some borrower defense claimants
4 would receive discharges of less than 100% of their loans taken to attend programs covered by
5 the Department's Corinthian job placement rate findings. Otherwise, denied.

6 179. This paragraph consists of legal conclusions to which no response is required. To
7 the extent that a response is deemed required, denied.

8 180. This paragraph consists of legal conclusions to which no response is required. To
9 the extent that a response is deemed required, denied.

10 181. This paragraph consists of legal conclusions to which no response is required. To
11 the extent that a response is deemed required, denied.

12 182. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, denied.

14 183. This paragraph consists of legal conclusions to which no response is required. To
15 the extent that a response is deemed required, denied.

16 184. This paragraph consists of legal conclusions to which no response is required. To
17 the extent that a response is deemed required, denied.

18 185. This paragraph consists of legal conclusions and a request for relief to which no
19 response is required. To the extent that a response is deemed required, denied.

20 186. Defendants repeat and incorporate by reference their responses to all preceding
21 paragraphs.

22 187. This paragraph consists of legal conclusions to which no response is required.

23 188. This paragraph consists of legal conclusions to which no response is required. To
24 the extent that a response is deemed required, denied.

25 189. This paragraph consists of legal conclusions to which no response is required. To
26 the extent that a response is deemed required, denied.

1 190. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, deny that the Department established or
3 “implement[ed]” a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

4 191. This paragraph consists of legal conclusions to which no response is required. To
5 the extent that a response is deemed required, admit that before January 20, 2017, the
6 Department discharged relevant student loan debts of, and refunded amounts paid to attend
7 Corinthian programs to, approximately 28,000 Corinthian students. To the extent the
8 “procedures” referenced in this paragraph refer to Plaintiff’s allegations in paragraph 190 of the
9 FAC that the Department “established streamlined procedures” “[t]o implement the Corinthian
10 Full-Relief Rule,” Defendants deny that the Department established a “Corinthian Full-Relief
11 Rule,” as defined by Plaintiff.

12 192. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, deny that the Department established a “Corinthian
14 Full-Relief Rule,” as defined by Plaintiff.

15 193. This paragraph consists of legal conclusions to which no response is required. To
16 the extent that a response is deemed required, admit that tens of thousands of borrower defense
17 claims submitted by Corinthian students are currently pending and that new claims continue to
18 be filed, but deny that the Department has “already determined” that any student who has
19 submitted a currently pending claim is entitled to “expedited, full relief.”

20 194. This paragraph consists of legal conclusions to which no response is required. To
21 the extent that a response is deemed required, denied.

22 195. This paragraph consists of legal conclusions to which no response is required. To
23 the extent that a response is deemed required, denied.

24 196. Defendants refer the Court to their responses to paragraphs 58-67 of the FAC,
25 *supra*, which respond to Plaintiff’s allegations concerning “widely disseminated public
26 statements by ED.”
27
28

1 197. Admit that tens of thousands of Corinthian students who submitted borrower
2 defense applications have been waiting more than 18 months for final adjudication of their
3 claims.

4 198. This paragraph consists of legal conclusions to which no response is required.

5 199. Defendants admit that the FSA Borrower Defense Unit estimated, in October
6 2016, that it would resolve pending eligible borrower defense claims based upon the
7 Department's job placement rate findings for Corinthian students by spring 2017 and that claims
8 remained pending as of spring 2017 and currently. Otherwise, denied.

9 200. This paragraph consists of legal conclusions to which no response is required. To
10 the extent that a response is deemed required, denied.

11 201. This paragraph consists of legal conclusions to which no response is required. To
12 the extent that a response is deemed required, denied.

13 202. This paragraph consists of legal conclusions and a request for relief to which no
14 response is required. To the extent that a response is deemed required, denied.

15 203. Defendants repeat and incorporate by reference their responses to all preceding
16 paragraphs.

17 204. This paragraph consists of legal conclusions to which no response is required.

18 205. This paragraph consists of legal conclusions to which no response is required. To
19 the extent that a response is deemed required, denied.

20 206. This paragraph consists of legal conclusions to which no response is required. To
21 the extent that a response is deemed required, denied.

22 207. This paragraph consists of legal conclusions to which no response is required. To
23 the extent that a response is deemed required, denied.

24 208. This paragraph consists of legal conclusions to which no response is required. To
25 the extent that a response is deemed required, admit that before January 20, 2017, the
26 Department discharged relevant student loan debts of, and refunded amounts paid to attend
27 Corinthian programs to, approximately 28,000 Corinthian students. Defendants deny that the
28 Department established a "Corinthian Full-Relief Rule," as defined by Plaintiff.

1 209. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, denied.

3 210. This paragraph consists of legal conclusions to which no response is required. To
4 the extent that a response is deemed required, denied.

5 211. This paragraph consists of legal conclusions and a request for relief to which no
6 response is required. To the extent that a response is deemed required, denied.

7 212. Defendants repeat and incorporate by reference their responses to all preceding
8 paragraphs.

9 213. This paragraph consists of legal conclusions to which no response is required.

10 214. This paragraph consists of legal conclusions to which no response is required. To
11 the extent that a response is deemed required, admit that before January 20, 2017, the
12 Department discharged relevant student loan debts of, and refunded amounts paid to attend
13 Corinthian programs to, approximately 28,000 Corinthian students. Defendants deny that the
14 Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

15 215. This paragraph consists of legal conclusions to which no response is required. To
16 the extent that a response is deemed required, admit that in December 2017, the Department
17 announced a partial discharge methodology, pursuant to which some borrower defense claimants
18 would receive discharges of less than 100% of their loans taken to attend programs covered by
19 the Department’s Corinthian job placement rate findings. Otherwise, denied.

20 216. Admit that the new discharge process announced in the December Press Release
21 applies to borrowers covered by the Department’s Corinthian job placement rate findings.

22 217. Defendants lack knowledge or information sufficient to form a belief about the
23 truth of the allegations in this paragraph.

24 218. This paragraph consists of legal conclusions and a request for relief to which no
25 response is required. To the extent that a response is deemed required, denied.

26 219-230. These paragraphs relate to claims that have been dismissed and thus no
27 response is required.

1 The remaining unnumbered paragraphs in the FAC contain a request for relief to which
2 no response is required. To the extent a response is deemed required, Defendants deny that
3 Plaintiff is entitled to the relief requested or to any relief.

4 THEREFORE, having fully answered, Defendants assert that Plaintiff is not entitled to
5 the relief requested, or to any relief whatsoever, and request that this action be dismissed with
6 prejudice and that Defendants be given such other relief as the Court deems just and proper.
7 Each and every allegation of the FAC not heretofore expressly admitted or denied is hereby
8 denied.

9
10 DATED: July 8, 2019

Respectfully submitted,

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13
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